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FM AMEMBASSY JAKARTA

TO RUEHC/SECSTATE WASHDC IMMEDIATE 0116

INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS PRIORITY

RUEHBJ/AMEMBASSY BEIJING 5402

RUEHBY/AMEMBASSY CANBERRA 3047

RUEHLM/AMEMBASSY COLOMBO 1306

RUEHKA/AMEMBASSY DHAKA 1276

RUEHNE/AMEMBASSY NEW DELHI 2243

RUEHPB/AMEMBASSY PORT MORESBY 3993

RUEHUL/AMEMBASSY SEOUL 4918

RUEHKO/AMEMBASSY TOKYO 2504

RUEHWL/AMEMBASSY WELLINGTON 3081

RUEHHK/AMCONSUL HONG KONG 2973

RUEHBAD/AMCONSUL PERTH 1139

RHHJJPI/USPACOM HONOLULU HI

RHEFDIA/DIA WASHINGTON DC

RUEAIIA/CIA WASHDC

RHEHNSC/NSC WASHDC

C O N F I D E N T I A L JAKARTA 001760

SIPDIS

DEPT FOR EAP, EAP/MTS, EAP/MLS

DEPT FOR EEB/IFD/OIA-GOERTHERT

NSC FOR EPHU

DOJ FOR CRIM AAG SWARTZ

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TREASURY FOR IA - MALACOY

USTR FOR EHLERS

SINGAPORE FOR SUSAN BAKER

COMMERCE FOR 4430-JEAN KELLY

DEPARTMENT PASS FEDERAL RESERVE SAN FRANCISCO FOR FINEMAN

DEPARTMENT PASS EXIM BANK

E.O. 12958: DECL: 09/17/2018

TAGS: [ECON](#) [EINV](#) [PGOV](#) [ID](#)

SUBJECT: ASIA PULP & PAPER AND OAKTREE REACH SETTLEMENT IN 2001 DEFAULT

Classified By: Ambassador Cameron R. Hume, for reasons 1.4 b+d

¶1. (C) Summary: Oaktree Capital Management reached a settlement with the Indonesian company Asia Pulp & Paper (APP), resolving one remaining part of APP's \$14 billion debt default in 2001. Terms were not disclosed, but Oaktree counsel characterized the settlement as "reasonably satisfactory." APP still has outstanding negotiations with one remaining U.S. creditor, Gramercy. Separately, the Indonesian Supreme Court is considering a move to overturn the 2006 APP default case that ruled against U.S. creditors, according to separate reports. End Summary.

¶2. (C) Asia Pulp & Paper (APP) announced on September 15 that it reached a settlement with Oaktree Capital Management, one of APP's creditors from its \$14 billion default in 2001, according to Reuters. Asia Pulp & Paper, which includes affiliates PT Indah Kiat Pulp & Paper and PT Lontar Papyrus Pulp & Paper, and Oaktree Capital Management agreed to a "full and final settlement" of all litigation and disputes between the parties, according to an APP statement. Oaktree legal counsel confirmed these reports and described the agreement as "reasonably satisfactory resolution."

¶3. (C) The 2001 APP \$4 billion default is not completely resolved. Gramercy and other creditors were not part of this APP-Oaktree settlement. Gramercy has demanded a much higher rate for settlement compared to Oaktree, according to contacts.

¶4. (C) Separately, the Supreme Court is conducting a judicial review of the 2006 Supreme Court decision that ruled in favor of APP. The Supreme Court ruled that the APP bond format was illegal under Indonesian law, relieving APP of any responsibility to repay its creditors. Supreme Court could issue a decision shortly that rules in favor of the debtors and overturning previous court decisions, according to an Indonesian legal reform contact.

HUME